

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6300
BILL NUMBER: HB 1327

NOTE PREPARED: Jan 6, 2011
BILL AMENDED:

SUBJECT: Income Tax Holiday.

FIRST AUTHOR: Rep. Steuerwald
FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: ☒ **GENERAL**
DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: The bill provides an Adjusted Gross Income (AGI) tax withholding holiday for individuals for one week each year for pay periods beginning on or after December 1 each year. It also provides an associated AGI tax credit for individuals each taxable year in the amount of 1/52 of the individual's AGI tax liability for the taxable year.

Effective Date: July 1, 2011.

Explanation of State Expenditures: *Department of State Revenue (DOR):* The DOR will have to revise AGI withholding instructions for employers due to the tax withholding holiday for individuals provided in this bill. The DOR will also have to revise tax forms, instructions, and computer programs to reflect the new tax liability credit and new requirements relating to withholding under the bill. The DOR's current level of resources should be sufficient to implement these changes.

Explanation of State Revenues: *Summary:* The bill establishes a tax liability credit for individual taxpayers in an amount equal to 1/52nd of the taxpayer's adjusted gross income (AGI) tax liability. The tax credit is estimated to reduce revenue from the individual AGI tax by \$94 M in FY 2013. The revenue loss could potentially grow by about 4% per year in subsequent years.

Background Information: The tax liability credit is effective beginning in tax year 2012. The bill prohibits an employer from withholding AGI tax from employee wages for one week each year in December. The tax credit would reduce the annual tax liability by 1.92%. The Revenue Technical Committee forecast (December 15, 2010) for the individual AGI tax is \$4,896.6 M in FY 2013. From 1990 to 2010, individual

AGI tax revenue has grown by an average of about 4% annually.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: DOR.

Local Agencies Affected:

Information Sources: Revenue Technical Committee forecast (December 15, 2010).

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